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THE FARM INDEX

U.S. Department of Agriculture/ November 1972

Marketing Teams:
What They Found

MARKETING TEAMS
STACKS U.S. Department of Agriculture
Washington, D.C. 20250

Dear Mr. Secretary:
We recommend . . .

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After a year and a half on the decline, hog production is swinging upward, with expanded pork supplies due by spring. Meanwhile, beef production will be above year-earlier levels this fall and the first half of '73. Lamb supplies are running behind last year due to a smaller lamb crop.

A closer look at the livestock and meat outlook shows:

Pork producers in the Corn Belt, encouraged by higher hog prices and a favorable hog-feed price relationship, plan to have 7 percent more sows farrow during December-February than these months a year ago. For the fall, slaughter is expected to be 4-6 percent under the fourth quarter of '71.

Hog prices will hold well above prices of last fall, due to smaller production and strong consumer demand. But as slaughter rates approach year-earlier levels by the end of the year, prices are expected to soften in contrast to last year's late fall rise. Barrows and gilts at seven markets averaged \$20 per 100 pounds during October-December 1971 but probably will average at least \$5 higher this fall.

The market for feeder pigs should continue favorable at least through the first half of '73, due to a higher slaughter hog market this fall and winter and larger supplies of corn. Feeder pigs during most of 1972 have been bringing twice as much as they did in '71.

With more cattle on feed this fall, fourth quarter marketings likely will continue to run 5-8 percent over a year ago. However, they would still be below summer levels. Fed cattle marketings in the first half of '73 are expected to be moderately above year-earlier levels, with the supply of feeder cattle expanding and feedlot capacity rising.

Fed cattle prices are not expected to change much this fall, but likely will run \$1-\$3 above the 1971 fourth quarter average of \$33.45. Feeder cattle prices have been strong all year, but are expected to decline somewhat this fall. In the first half of '73, feeder cattle prices are expected to show only a limited seasonal rise.

Lamb and mutton supplies this fall and winter are expected to run moderately below the same time last year. Slaughter is down about 4 percent this year, but slaughter weights and dressing yields are up slightly. Lamb prices are expected to continue near recent levels and then strengthen during the winter.

Beef imports have been running about 11 percent larger than a year ago and will likely continue up this fall. The level of imports will depend on available export supplies and prices of beef in other countries as well as on policy decisions to be made in the U.S. in coming months.

The 1973 National Agricultural Outlook Conference is set for Feb. 20-22 at the U.S. Department of Agriculture in Washington, D.C.

Central theme will be "The Future Structure of Agricultural Production and Marketing." Topics to be explored in depth include long-range demand for farm products, input requirements of the food industry, impact of environmental developments on production and marketing, and future growth in the export market.

The outlook for agriculture in 1973

OUTLOOK 73



and the general economy will receive particular attention. The 51st Outlook Conference is sponsored by USDA's Economic Research Service and Extension Service.

Another banner year is in store for U.S. soybean producers. Continued tight supplies and expanding demand pushed farm prices in September—start of the new marketing year—to \$3.26 per bushel. This marked the first time since 1947 that September prices topped \$3.

Average prices for the whole 1972/73 season will exceed last year's \$3, possibly by around 5 percent.

Supplies for the current market year are seen at 1,389 million bushels, 10 percent over 1971/72, though short of the record 1,450 million bushels 3 years earlier. September 1 carryover stocks totaled 72 million bushels—27 million shy of last year's level.

The '72 soybean crop is projected at a record 1,317 million bushels, 13 percent higher than last year's. Harvested acreage is up 8 percent to 45.8 million acres. Per acre yields, at a record 28.7 bushels, are one bushel bigger than 1971's.

Total soybean use is expected to reach 1.3 billion bushels, up about 7 percent from last year. Since use will likely match production, carryover stocks next September will be roughly at this year's low level.

Exports may hit a new high during 1972/73, exceeding last year's 416 million bushels by as much as a fifth. Brisk foreign demand for U.S. soybeans is fanned by rapidly expanding world protein requirements and a current reduction in fish meal availabilities.

U.S. rice exports will approach last year's record 57 million cwt. There's strong import demand in Asia and South America and relatively tight supplies. U.S. rice harvest, by September indications, is expected to reach 84.6 million cwt., slightly above last year. Most of the increase is due to higher yields, forecast at a record 4,649 pounds per acre. Prices at the farm will continue strong, due to large demand and the 19¢ increase in the loan rate. For the season, farm prices may average 5-10 percent over loan. Another sharp drawdown in stocks is in prospect for 1972/73. Supplies in 1972/73 are expected to fall 6 percent short of last year's 104 million cwt.

Egg prices are picking up for fall and

winter and will run well above the depressed levels of a year ago. Output will continue to dip below last year, reflecting reductions in flock size. Broiler prices will decline as usual this fall but likely remain above year-earlier levels, helped by lower pork supplies and higher pork prices. A record turkey crop of some 128.4 million birds is expected. Turkey prices may reach year-earlier levels by the end of '72, supported by continued strong demand for high-protein foods.

Tobacco supplies are down for the eighth straight year. This year's crop (U.S. and Puerto Rico) is projected at 1.73 billion pounds. Acreage is up 1 percent, but yields are virtually unchanged. Carryover for the new season has drifted down roughly 5 percent. Sharply higher prices in the flue-cured sector will curb exports, and reduced supplies of Maryland, fire-cured, and cigar filler tobaccos will cut domestic use.

Foreign News Briefs. Corn trade within the European Community (EC) has taken a sharp upturn, due largely to a change in Community policy. Recently released 1971/72 French export figures put French corn shipments to EC neighbors at 4 million metric tons—up from 2.3 million in 1970/71. France found markets more attractive inside the EC than out when faced with a 5-percent domestic price gain and reduced export subsidies. Feeling the squeeze, U.S. corn exports to the Community fell from a 1970/71 high of 5.6 million metric tons to 4.7 million in 1971/72. . . . Thailand recently restored export taxes on several rice varieties, a move sparked by tight supplies and higher prices in international markets. Together with existing levies on other rice types, the reinstated taxes—which amount to roughly \$24 per ton—affect nearly half of all Thai rice exports. . . . Soviet harvest of the 1972 small grain crop (excluding corn) and seeding of winter grains for '73 harvest are reported well behind schedule. As of October 2, about 15 million hectares—13 percent—of small grain area remained to be harvested. Fall seeding, then only 61 percent complete, was expected to pick up in coming weeks.

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DOUBLING THE FARM DEBT

To meet rising costs of farmland transfers, machinery purchases, and other outlays, farmers may lift outstanding debt 7 percent a year during the 1970's.

Farmers are expected to drive up outstanding farm debt to \$107 billion in 1980—double the 1970 mark.

This projection by a Federal Reserve Board economist, writing in the July issue of ERS's *Agricultural Finance Review*, is based mainly on the growing costs of farm inputs.

According to the economist, records for each of the major uses of capital (machinery, buildings, land improvements, money balances, and inventories of crops and livestock) reveal that during the last 2 decades there has been relatively slow growth in most items in constant prices, and an actual decrease in some items. On balance, the capital flows—farmland transfers and other outlays—rose because price increases drove up the cost of expenditures.

One of the larger capital flows is the purchase of farmland from retiring farmers and nonfarm heirs. This capital need is directly related to farmland prices. Land prices are expected to climb nearly 4 percent a year, based on projected rates of general price inflation and a decrease in farm numbers. By 1980, \$6 billion a year may be required to transfer farmland not directly inherited by farmers, compared with less than \$4 billion in 1970.

Machinery purchases are the other big expenditure, accounting for around \$5 billion annually in recent years. Most goes to replace wornout or obsolete machinery, since net additions to existing stock are small. But with projected annual price increases of nearly 3 percent, farmers would be spending over \$8 billion a year for machinery by 1980.

Expenditures for buildings and land improvements are projected at around \$1.5 billion in 1980, about the same as currently. The cost of net annual additions to financial assets and to inventories of livestock and stored crops may average about \$800

million by 1980, compared with less than \$500 million during 1950-70. Of that amount, additions to livestock inventories are projected to use \$200 million annually.

Summing all these items, farmers' total annual capital flow is expected to reach \$16.7 billion by 1980—up more than 50 percent from 1970.

Farmers pay for these capital expenditures either out of their own pocket or by borrowing. If farmers use the same share of their income this decade as in the 1960's, out-of-pocket spending would account for about 60 percent of the projected capital flow.

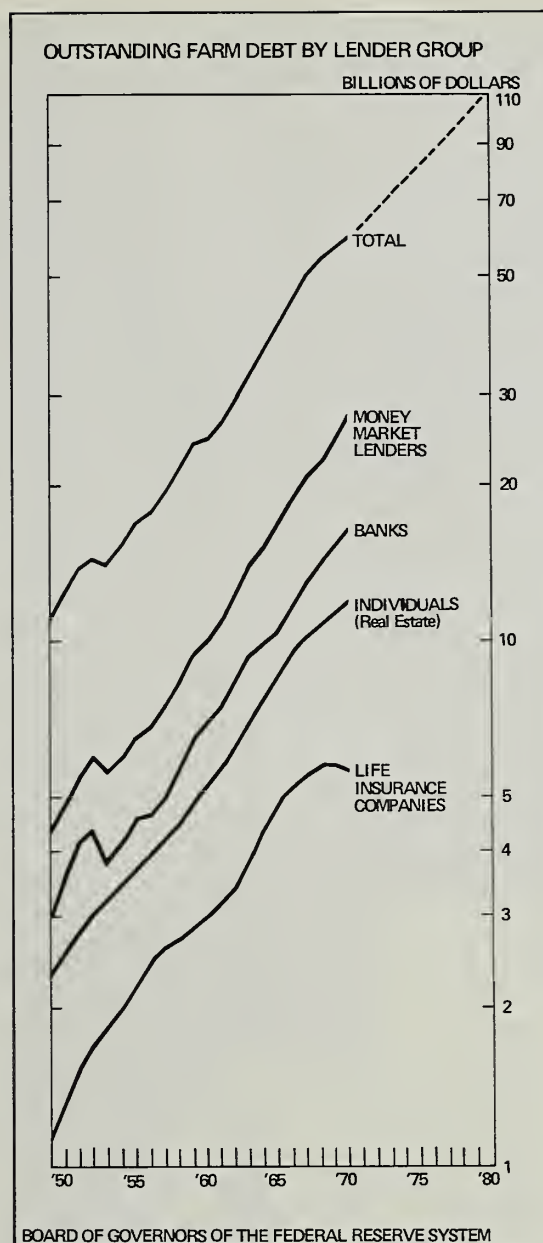
Borrowing for the remainder will cause outstanding debt to rise nearly 7 percent a year in the 1970's—reaching the \$107 billion total by 1980. This is less than the 9-percent growth rate in farm debt during the 1960's.

Examination of credit supply factors at major farm lender groups led the economist to believe that the projected credit demands can be easily met by lenders.

For example, if land prices rise as projected, causing the cost of farmland transfers to increase, sellers of farms will also be relatively better able to "invest" sizable funds in farm mortgages or land contracts.

However, life insurance companies may tend to move in and out of farm lending due to variations in their supply of funds and in the profitability of farm loans relative to other investments.

Rural banks, though faced with similar fund supply and profitability conditions, have a long-run incentive to favor local lending. Future deposit growth at rural banks could match the projected 7-percent annual rise in farm credit demands.



But individual rural banks are unlikely to grow as fast as credit use per farm—projected to rise 145 percent during this decade. As a result, some rural banks may seek increased lending capacity through merger or by affiliation with holding companies.

Other important farm lenders include Federal land banks, production credit associations, the Farmers Home Administration, large banks, and farm supply and equipment corporations. They obtain part or all of

their loanable funds in the national money market.

Because the money market is an elastic source of funds for agriculture, these lenders can assure an adequate supply of credit to farmers—even if farm credit demands run higher than projected—provided that farmers pay the going market price for these funds. Too, these lenders can fill in the gaps at times when others reduce their farm lending. (1)

Cooked Soybeans Uneconomical as Feed For Broilers, Study Finds

Feed manufacturers, faced with a sharp rise in soybean meal prices in recent months, are considering using other protein ingredients in broiler rations.

In a recent study, Agricultural Research Service looked into the economics of feeding one of these ingredients—cooked soybeans.

Soybean prices had gone up about 2 percent a month in the 8-month study period of October 1971 to May 1972 while soybean meal prices had increased at twice that rate.

Based on average monthly prices for Atlanta and rations formulated to meet the bird's nutritional requirements at the lowest cost, the study found:

In 5 of the 8 months, the value of full-fat soybeans in the finisher ration was not great enough to cover raw product cost—let alone cooking costs.

In December, January, and February, raw product cost was covered, but only \$1-\$2 a ton was left to cover cooking costs. Thus cooking costs would have to be quite low for economics to favor feeding soybeans.

The study concluded that, generally, price relationships in the Atlanta market during the test period would make it uneconomical to feed full-fat soybeans as a replacement for 49-percent protein soybean meal in broiler finishing rations. Conclusions in the study are most applicable to the broiler industry in the

THE FARM DEBT PROJECTION was made after study of various farm trends and relationships. Experience during the 1950-72 period was generally used, with some exceptions. For example, the rate of general price inflation was projected at the 1953-68 average, as was the rate of increase in prices of farm machinery and family living items. For some other variables, such as acreage of cropland and farmers' savings rate, the average of the last 10 years was used. And farmers' future income was derived by projecting that real net income per farm will rise by 3.25 percent annually—the same rate another study projected for individual incomes nationally.



Men and Milestones

"Useful arts are sometimes lost for want of being put into writing."

The words are those of Jared Eliot, a Connecticut minister and doctor who, in 1748 at age 63, started to write the first important American treatise on agriculture.

Before commencing his agricultural work, Eliot, a man of iron constitution, spent more than 30 years traveling Connecticut's colonial roads tending to the sick.

During that time he had ample opportunity to study the region's farming and speculate on ways of improving it.

British books on agriculture—and there were many in the 18th century—were not much use to Americans, Eliot found, because of "the difference of climate and the method of management between them and us."

So the cleric-physician bought large tracts of land and began supplementing his observations with experiments.

The results of his efforts ap-

peared as a series of six pieces called *Essays on Field Husbandry*, the last being published in 1759.

His prose was lucid, even by today's standards, and his interests were wide-ranging.

Conservation, drainage, food production, tillage, and tools were just a few of the topics he treated.

Dipping into the essays, farmers could get advice on how to improve the quality of their sheep's wool, how to fertilize their land with peat ash, or how to keep mice from eating the bark off apple trees in winter.

A skeptical New Englander, Eliot distrusted untested theories.

"Our reasonings and speculations without experience are delusory and uncertain," he wrote.

"A discovery of the nature and property of things, and applying them to useful purposes, is true philosophy."

Eliot died on April 22, 1763, at age 77. For years after his death, however, his *Essays* remained the most widely read agricultural work in America. (3)

Southeast sector of the U.S.

Full-fat soybeans are more nearly like 44-percent protein soybean meal than 49-percent meal because both contain hulls. The study showed that 44-percent meal rations averaged at least 40¢ a ton more than 49-percent meal rations during the 8 months covered in the analysis. Thus, feeding full-fat soybeans appeared more favorable 44-percent meal.

The full-fat product has found some acceptance in swine rations. But the product is not well suited to pelleting—the form of feeding that is prevalent in broiler diets. (2)

Milk Output Up As Dairy Herd Dwindles

The Nation's dairy herd continues to dwindle—but at a slower rate than in the 1960's.

Last June, an estimated 12.2 million milk cows were on U.S. farms, a drop of about 1 percent from a year earlier. As a rule, June milk cow numbers closely approximate the annual average.

Nationally, the milk cow herd is the smallest since the late 1800's. However, the annual rate of decline slowed considerably since the mid-1960's.

The slower rate of decline has resulted from larger supplies of replacement heifers relative to milk cows; an improved dairy labor situation; higher milk prices to farmers; and favorable milk-feed price ratios.

Contrary to trend, cow numbers were up from June 1971 in the Pacific, Lake States, and Southeast regions. California, Florida, Wisconsin, Michigan, and New Mexico posted 1-2 percent gains. Dairy farmers in Wisconsin milked 23,000 more cows than a year earlier, and California dairymen, 16,000 more.

U.S. milk output during January-July totaled 72.9 billion pounds, up 1½ percent (daily average basis) from the same period in 1971. The reason: output per cow rose 2½ percent from year-earlier levels. (4)

Reports of five commodity study teams reveal industry problems and discuss ways to improve the marketing of potatoes, canning peaches, pork, eggs, and apples.

Capping months of intensive research, five marketing teams have presented their findings to Agriculture Secretary Butz.

The Secretary named the teams last February as part of a new effort to lift farm income. Their assignment: recommend solutions for the problems confronting five major commodities—apples, eggs, pork, canning peaches, and potatoes.

The study groups were headed by USDA people and included State, university, extension, farm, and industry representatives.

The teams based their reports on interviews, conferences, and consultation with growers, processors, agribusinessmen, trade experts, State and Federal personnel, and other interested members of the commodity industries.

Some of the major problems uncovered by the teams were common to all the commodities. Oversupply and unstable volumes and prices loomed largest.

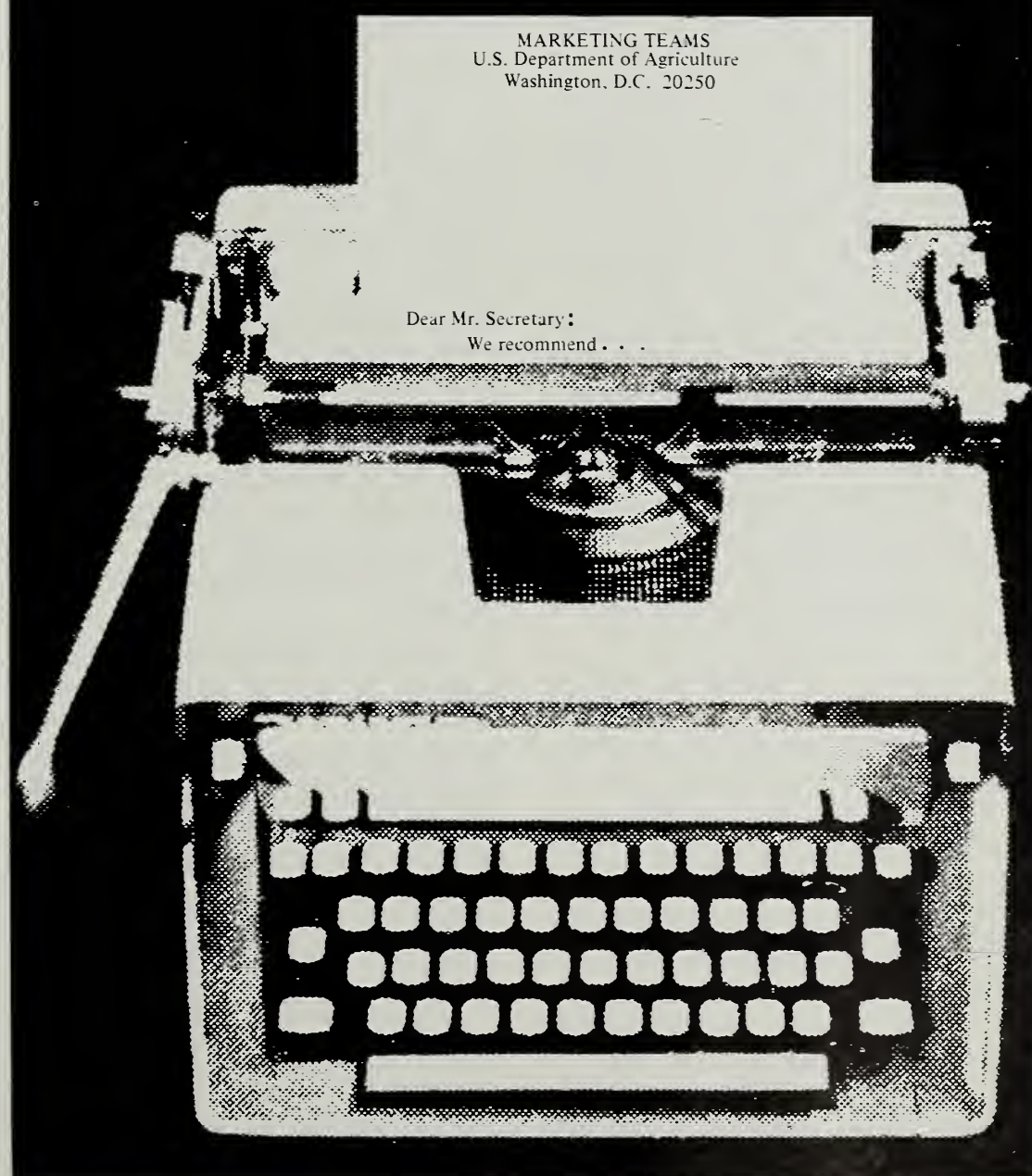
Surpluses have resulted mainly from failure of the commodity industries to find markets for increased production, caused in part by the continued entry of new producers. For some of the commodities, the surplus dilemma has deepened with recent losses of export markets.

Similarly, lack of stability in some commodities has stemmed from entry of new producers and accelerated output when prices are favorable, and a pulling out when prices drop.

The marketing teams recognized that boosting per capita consumption poses one of the biggest challenges to each industry. All teams saw the need for better organized and coordinated commodity promotion programs.

Team members found that past promotional efforts were often fragmented and missed their mark. One

Marketing Teams: What They Found



report noted that promotional materials in some cases seemed to be designed to "impress industry colleagues" rather than influence consumers.

The teams further recommended that promotional efforts place special emphasis on reaching the youth market. Several of the study groups added that promotion programs should focus on the expanding market for food eaten away from home.

Each team stressed the importance of continued research for new products that are tastier, have longer shelf lives, are less susceptible to damage and disease, have more appealing textures, etc.

New product research should also focus on innovative packaging techniques, and new styles and sizes of servings with built-in consumer appeal.

Examining commodity grading practices, the marketing teams advised that grading systems be improved to adequately reflect product quality. Some teams recommended a complete overhauling of current grading practices. Others prescribed the elimination of grades that are seldom used.

Many industry spokesmen said they favored stricter grading systems that would keep inferior goods from entering the market. Improved grading standards might bolster consumer confidence in the commodities, simplify purchase decisions, and result in bigger sales.

The marketing teams also investigated growers' charges that:

- ✓ marketing margins are excessive;
- ✓ processors are not giving them a fair deal;
- ✓ USDA statistics and market reports are incomplete and lack relevance for production decisions; and
- ✓ their products are "subsidizing" other items in the supermarket.

In making their recommendations, the teams usually indicated what action should be taken in the short run, and what problems would take longer to solve. Some of the key findings follow:

Eggs

The egg marketing team called for some type of quantity or price adjustment program to solve the industry's most pressing problem—instability of output and prices. It recommended a special study of the possibilities of:

- ✓ quota programs;
- ✓ pricing programs without regulation of volume; and
- ✓ price support devices that encourage voluntary compliance with output goals.

An in-depth study would be completed by mid-1973, and results would be widely circulated and discussed before any positive action would be taken.

The egg team found that certain income tax policies have led to the industry's overexpansion and instability. For example, most egg producers now use the cash accounting method for tax purposes, which permits the reporting of expenses when incurred and income when it is received.

This method encourages producers to reinvest net income, before taxes, into expansion of their operations in good years. That's because a producer can write off in the current tax year the entire cost of raising a bird to laying age, even though the bird won't generate revenue till the following year. In effect, the producer saves on taxes, and uses this money to make additions to his laying flock.

The egg marketing team prescribed two steps to hold back industry expansion: (1) that a laying hen be treated as a capital asset, with cost deductions deferred until the hen goes into production; and (2) that all egg producers, as soon as feasible, convert to the accrual method of accounting, under which taxes are paid on the basis of changes in inventory value.

During its investigation, the egg marketing team received many comments that the various statistical series published by USDA agencies should be revised or expanded to

help industry decisionmaking and outlook projections.

Among the team's suggested changes:

- ✓ USDA's Statistical Reporting Service (SRS) should make separate estimates for eggs produced for table use and for hatching;
- ✓ SRS should report all egg data on a calendar year and calendar month basis;
- ✓ USDA's Market News Service should release monthly inventories of egg solid stocks on hand;
- ✓ The Market News Service should report weekly retail prices for cartoned eggs in a substantial number of cities in every major region.

The team further advised that USDA and the industry compile and periodically revise a nationwide inventory of locations, sizes, and characteristics of egg-producing flocks. This would provide a broad data base, and an up-to-date reference for Civil Defense and various disaster relief agencies.

Pork

The pork marketing team claimed that today's hog is meeting consumer demands—more protein and less fat. Over the past 2 decades, fat content of the average hog carcass has been trimmed by about 20 pounds, and replaced by lean.

Nevertheless, pork still suffers from a negative consumer image; namely, that it's too fatty and too fattening, that it's unsafe to eat unless thoroughly cooked, and that its quality is inconsistent and unreliable.

A consumer knowledge gap about the merits of pork, the team reported, may be the industry's most pressing problem. Besides intensive promotion, bridging this gap requires continued research into production and marketing practices that will lead to consistently high pork quality.

The pork team called for vigorous research in breeding, reproduction,

and nutrition to increase the number of pigs marketed per sow. Also, it recommended the establishment of national standards to identify superior sires with potential to produce high-value pork products.

The pork team also prescribed further research into the causes and prevention of hog diseases—still the single most important factor in limiting pig production—and a uniform national system of producer and slaughter hog identification. The system would help officials trace the source of a disease and contain its spread.

Packers have already begun programs to trace animals back to producers, but these systems vary from one packer to another. Most producers interviewed favored a uniform identification system. They also felt this kind of program should be designed to reward producers of high value hogs as well as to identify and discount lower quality animals.

To avoid high freight charges and eliminate the stress and weight loss suffered by hogs during transit, slaughter hogs have been sold increasingly in decentralized local markets rather than large terminal markets. This, however, exposes the hogs to a limited number of potential buyers, and thus reduces competition.

To minimize movement of live animals and maximize competition, the team urged development of a uniform system of describing hogs that can be easily understood by all buyers and sellers.

Under such a system, hogs would remain on farms or in local markets. Buyers would bid for them in national or regional auctions via telephone or teletype facilities.

The pork team found a need for increased use of grading at all stages of marketing, but at the retail level in particular. Federal grades should be established for all major retail pork cuts to help consumers select products of an assured quality. In the past, retail grading has been minimal, varying from day-to-day and from store-to-store, resulting in a loss of consumer confidence.

Apples

One of the apple industry's biggest concerns has been the large volume of poor quality apples that are offered to consumers, particularly in the fresh market. In turn, consumers question the quality of both fresh apples and processed apple products.

To prevent inferior apples from entering the retail market, the team advised that condition be made a part of the grade system (apples are now graded mainly by color). Decay, breakdown, and other deterioration developing during storage or transit would be scored against the grade—as is now done for most other fresh produce.

In addition, the team recommended that U.S. No. 1 and other seldom-used lower grades be abolished. It also urged the establishment of national controlled atmosphere standards for condition.

The team found that rough handling during harvesting, packing, transportation, and retailing caused substantial losses in apple quality. It recommended that the industry develop and test more durable polyethylene bags, as well as rigid or semi-rigid consumer packages, and suitable shipping containers.

As another way to keep low quality apples off the market, the team urged that the industry consider a tree removal program. The program would encourage removal of outdated apple varieties, as well as old trees that produce poor quality fruit, and trees serving as havens for disease and insects.

The apple marketing team advised the industry to prevent surpluses by expanding exports. For instance, the industry might launch a fact-finding team to explore potential markets in Latin America and the Far East.

The team also recommended more effective action to deal with competition from imports. Under most existing Federal statutes industries must first demonstrate proof of injury before qualifying for import relief. The marketing team urged members

of the apple industry to plan a program that is more responsive to a *threat* from foreign imports.

The apple marketing team suggested that all producing areas be eligible for marketing orders for fresh apples and apples for processing. The industry should consider the usefulness of marketing orders in:

- ✓ establishing grade, size, and quality regulations;
- ✓ developing nationwide and regional promotion programs;
- ✓ overseeing mandatory apple inspection;
- ✓ developing uniform regulations for containers; and
- ✓ funding research programs.

Potatoes

The potato industry's dilemma of overproduction and low prices has resulted mainly from increased yields in recent years, and the reclamation of new land in several Western States. A 1970 report revealed that more than 300,000 acres had been planted to potatoes in reclamation projects over the past 10 years.

The potato marketing team found there was substantial support among growers for some form of supply management. The team recommended that the Secretary of Agriculture confer with industry leaders to determine if any particular type of supply management program would be feasible.

Meantime, the team urged that restrictions be placed on developing new land for production of potatoes, or any other crop that's in surplus supply.

The potato marketing team encountered a deep industry concern for developing and maintaining high product quality, particularly during transit.

Some of the difficulties:

- ✓ Periodic railcar shortages impede movement of fresh potatoes;
- ✓ Unsatisfactory rail equipment

and shipping practices result in potato damages;

✓ Coast-to-coast transit time has lengthened to 10 days or more, upping the risk of quality deterioration;

✓ Successive freight rate increases are driving up transportation costs.

The potato team prescribed a joint industry-government study to determine the industry's transportation requirements. Specific equipment needs should be identified, and special emphasis given to the impact of new, larger rail cars on potato condition and the storage facilities of shippers and receivers.

In all regions visited, the team received complaints that potato purchasers were frequently delaying payment by as much as 60-180 days.

The delays create credit problems for producers and shippers, as well as violate the Perishable Agricultural Commodities Act (PACA), which calls for payments within 10 days of delivery. Growers and shippers were reluctant to report these violations for fear of reprisals.

Among the team's recommendations was that the industry consider a national credit card system to be used for all potato purchases from grower to retailer. The credit cards would be issued only to those with good credit ratings and a PACA license. Sellers would receive payment within a specified billing period, and current banking regulations would eliminate the problem of late payments.

Canning Peaches

The canning peach marketing team, working closely with California's State Bureau of Marketing, focused on problems in California's cling peach industry.

Cling peach growers—plagued by excess production in 37 of the past 50 years—have used State marketing orders for many years to remove surpluses and buoy up prices. This

year, an estimated 25 percent of California's crop will be removed under a State marketing order. Noting that marketing orders have been unsuccessful in eliminating chronic surpluses, the team advised the industry to develop instead long-term contracts and multi-year pricing with canners.

These arrangements would aid efficiency and planning by assuring growers a steady outlet at a stable price. Canners could count on a steady supply of raw materials. The arrangements would also discourage entry of new producers who lack contracts. The team also suggested that economists and tax experts pinpoint ways to make peach orchards less attractive as a tax shelter.

Peach growers said one of their major production problems has been the high requirement for hand labor, an increasingly scarce and expensive input. Currently, cling peach orchards must be handpicked two or three times a season to yield the best raw product. The team recommended that the industry intensify its research on mechanical harvesting, thinning, and pruning to upgrade production efficiency.

The canning peach industry suffered a setback in the late 1960's when exports—particularly to the European Community—fell sharply. The reason was competition from subsidized, lower priced peaches from Australia and South Africa.

Several steps have been taken to meet the competition. One is the use of a quality emblem to differentiate the California peach from lower quality imports, and to justify its higher price.

After the canning peach marketing team began its study, the industry formed a new export organization—Pacific Agricultural Corporation for Export (PACE) to strengthen bargaining power on export freight rates. Some industry members have further suggested the formation of a marketing board to coordinate foreign sales of canned peaches.

The marketing team recommended

that USDA and the California Department of Agriculture help the industry assess the value of setting up a board. The team also urged that USDA, through its Foreign Agricultural Service, continue to make funds available for overseas peach promotion.

Moreover, the team advised that USDA, in cooperation with the State Department, closely monitor subsidization practices of foreign governments, taking action when necessary to assure U.S. growers fair competition in world markets. (5)

California Keeps Lead in Cash Receipts

California again in 1971 led all other States in the value of farm marketings.

In sales of the 25 chief commodities, California's cash receipts totaled \$4.9 billion in 1971, about 9 percent of the U.S. total. Iowa, number two as usual, sold \$4.0 billion, or 7.5 percent of the total. (These figures do not include direct Government payments to farmers.)

Other States in the top ten, and billions sold, were: Texas, \$3.3; Illinois, \$2.8; Minnesota, \$2.3; Kansas, \$2.3; Nebraska, \$2.2; Missouri, \$1.7; Wisconsin, \$1.7; and Indiana, \$1.6.

Livestock and livestock products accounted for \$30.5 billion of the \$53.1 billion 50-State cash receipt total; crops made up the \$22.6 billion remainder.

Arizona, with many large farms relative to the total, led the Nation in the realized net income per farm, with \$34,616. California was number two, with \$20,083, and large Hawaiian sugar and pineapple farms put that State in the number three position, with \$19,208.

Nationwide, net income averaged \$5,581 per farm—off slightly from 1970's \$5,757.

By region, the Western States outranked other areas, with an average of \$10,440 per farm; the South Central States were lowest, with net income averaging \$4,254. (6)

Industrial Growth in Today's Rural Areas

New manufacturing brought sorely needed employment in the 1960's to hundreds of small cities and towns and entirely rural communities. Rural and partly rural counties added manufacturing jobs at a rate of 4.6 percent a year—more than double the growth rate in the metro units.

What about the 1970's?

Indications are the trends of the past decade have not changed direction. Signs point to further industrial growth in the same nonmetro areas that had it in the sixties, and little growth in areas now lacking industrial activity (see map, next page).

Last decade, the nonmetro South was a big gainer in manufacturing, adding about three-fourths of a million jobs. This represented nearly half the increase throughout the South, and about one-fourth of the national increase. Nonmetro counties of the North Central region were also big gainers; they contributed another 400,000 manufacturing

workers, or one-eighth the U.S. increase.

Rural and partly rural counties alone, mainly in the Eastern U.S., had 900,000 more industrial jobs at the end of the decade than at the beginning.

Since manufacturing in the nonmetro counties grew faster than in the metro counties, the nonmetro share of all manufacturing employment climbed from 22 percent in 1960 to 25 percent 10 years later.

Metro areas showed the most rapid buildup in wage and salary jobs in service-performing industries, by 4.7 percent a year. Rural areas, nevertheless, gained 4 percent in service-oriented wage and salary employment—evidence of substantial progress in upgrading services and facilities.

In a great many rural areas, new industry often moved to more outlying or even remote communities. This especially held true for places with ready access to an interstate highway, and having adequate water supplies, hospitals, schools, and other

facilities to support an industrial complex.

There was also a high correlation between manufacturing activity and the size of the rural employment center: where industry was already concentrated was where most of the pickup in employment occurred.

If this also proves to be the case in the 1970's—and odds are it will—then vast stretches of rural America have limited prospects for industrialization. The nonmetro counties with little industrial activity at present include much of the Great Plains, the Intermountain region, Alaska, and fairly extensive areas elsewhere. In the sixties, these regions added few manufacturing jobs. Many counties had a reduction.

For places now lacking an industrial base, the best possibilities to create nonfarm jobs seem to lie in enterprises connected with outdoor recreation, second home construction, and retirement communities.

The past 2 years, for example, have seen a pickup in service-performing jobs in areas with tourist and recreation attractions. Accessibility to these resort and recreation centers has been helped by the interstate highway system. Business activity is expected to quicken with the completion of new highway linkages through rural localities.

The broad view for future development in rural America suggests certain industries will prosper more than others in the seventies. They turn out such products as processed foods, paper and pulp, building materials, household appliances, furniture and fixtures, mobile homes, campers, pleasure boats, and garden and power tools. Production of these items has steadily expanded in the past 12 years. They were relatively unaffected by the economic slowdown after 1967, and rates of job growth have been maintained. (7)

MANUFACTURING EMPLOYMENT: RURAL AND OTHER COUNTIES

Class and subclass	Counties	Employment		1959-69 increase	
		1969	1959	10-year increase	Annual rate
	Number	Thou.	Thou.	Thou.	Percent
ALL MANUFACTURING	3,099	20,177	16,173	4,004	2.5
NONMETRO	2,613	4,742	3,381	1,361	4.0
Lesser urban ¹	261	1,917	1,441	476	3.3
Rural—partly rural	2,352	2,825	1,940	885	4.6
Small city ²	459	1,444	1,009	435	4.3
Small town	996	1,091	747	344	4.6
Entirely rural	897	290	184	106	5.8
METRO	486	15,435	12,792	2,643	2.1

¹ Mostly nonmetro counties (210) with 25,000-49,999 urban population in 1970, but includes another 51 units with 50,000 or more 1970 urban population. ² Small city, small town, and entirely rural subclasses consist of nonmetro counties with 1970 urban population, respectively, of 10,000-24,999, 2,500-9,999, and under 2,500.



Supermarkets are entering the fresh flower business in a big way—but that doesn't necessarily mean that the retail florist is likely to lose his customers.

True or false: When you buy cut flowers, you do so in anticipation of a holiday or an occasion to commemorate.

The answer is true, but if mass market flower merchandisers have their way, you will buy fresh flowers for your table as often as you do the weekly shopping.

Supermarket flower sales are becoming big business, and their future is bright. In the late 1940's, retail florist shops—whose business is geared mainly to special-occasion buying—were responsible for 80 percent of all flower sales. By 1967, their share of the market had declined to 66 percent. The rest went

to mass market outlets such as supermarkets, drug stores, and discount stores.

While mass market merchandisers stand to reap the main benefits of this trend, in the long run more flower buyers may mean more sales for everybody.

According to an ERS floriculture expert, people tend to buy flowers from supermarkets when they would not buy from the retail florist. There are countless potential customers who pass through a supermarket but who may never set foot in a flower shop. And the average shopper is much more likely to pick up a bunch of flowers if it is easy and convenient to do so.

However, the local retail florist may still be used for the big flower-buying occasions such as holidays, weddings, and funerals.

Reasons for the supermarket flower sales boom are several.

To begin with, there is growing public demand, coupled with rising incomes. The ecology movement, the home beautification movement and other influences have triggered a growing public consciousness of flowers and plants.

Also, grower-to-retailer services have improved markedly, taking a great deal of the unpredictability out of ordering flowers.

And profit opportunities are attractive. Most supermarkets enjoy a profit margin ranging from 35 to 50 percent on floriculture products, making this category one of the highest profit sections in the store.

Finally, floral sales are not confined to high-income consumers. The demand for flowers cuts across socio-economic lines—in certain areas, for example, flowers are often bought daily, despite the income level in the area.

Retail floriculture in the U.S. is now estimated to be about a \$2-billion industry, up from \$1.5 billion in 1967. By 1980, some observers predict that the current figure could more than double.

"A \$5 billion industry is developing right under our noses," says the owner of a California firm that specializes in mass marketing of flowers.

According to a study done at Colorado State University, some 90 percent of 79 supermarket chains polled now handle some type of floral product in their store. However, supermarkets establishing year-round departments are still in a minority.

One of the remaining problems in coping with such a department is the necessity for trained personnel. Cut flowers require daily care in addition to considerable merchandising know-how. "A florist operation (in a supermarket) can be profitable, but it must have the full commitment of management," says one ERS economist.

There is little doubt, however, that expanding sales are a nationwide phenomenon. One grower, who ships cut flowers from California to New York City, even advertises on color television in Manhattan. Last year,

he sold 3.5 million bunches.

In the short run, the impact of mass marketing on the retail florist is uncertain. While the corner florist may still be used for the big flower-buying occasions, most impulse buying could be through mass market outlets.

In the long run, growers and retailers alike may stand to gain. A Colorado State University poll of flower wholesalers revealed that over half feel that mass marketing will help the retail florist.

"Any time a person buys flowers he becomes more flower conscious," says one expert—which means it could be a rosier future for everyone. (10)

Food Takes Smaller Share Of Take-Home Pay Than 10 Years Ago

Americans are spending a steadily smaller portion of their after-tax income on agricultural products.

Ten years back, they spent nearly a third of their take-home pay on food, clothing and shoes, alcoholic beverages, and tobacco products. However, since this proportion is based on aggregate data for the entire country, it may differ considerably from that of a typical family.

Last year, the same items took not quite 28 percent of their take-home pay.

That's not to say they didn't spend more in terms of dollars. In 1971, they spent 55 percent more money for these agricultural products than in 1961—\$996 per capita compared with \$642. But average per capita disposable income—earnings after taxes—soared 81 percent, far outpacing increases in prices and spending for agricultural products.

Of these selected products, food took the biggest share of consumer's after-tax dollar—15.8 percent in 1971—but took 19.8 percent 10 years earlier. This sharp drop accounted for most of the decrease in percent of consumer income spent on agricultural products.

Total spending for food averaged \$567 per person last year, up 45 percent from the \$391 spent in 1961.

Only clothing and shoes, of all the agricultural products, kept pace with rising income. Spending and prices advanced more than 80 percent over the decade, so clothing and shoes still took about 7.7 percent of our take-home pay.

Per capita spending for alcoholic beverages went up 77 percent during 1961-71—from \$49 to \$92. But as a percent of the consumer's dollar, alcoholic beverages went down slightly, from 3 percent to 2.6 percent.

Spending for tobacco products rose 46 percent—from \$39 per person to \$57. As a percent of our disposable income, however, it dropped slightly, from 2 percent to 1.6. (12)

MUM'S THE WORD

Mums of both the pompon and standard variety are the preferred flower among Florida and California growers, according to a recent ERS survey.

The study—which polled industry leaders, flower shippers and others in Florida and California—found that in 1970, 532 growers produced mums of either the pompon or standard variety. The study reported 46 growers of potted mums in the two States.

Carnations came in second, with 295 growers, all in California. Roses were produced by 66 growers, and 45 growers in the two States produced gladioli.

While mass marketing is making these flowers available on a broader basis than ever before, the U.S. flower growing industry remains relatively concentrated.

According to the ERS survey, California and Florida accounted for nearly 60 percent of the Nation's 1970 crop of pompon mums. California alone grew close to half (46 percent) of all U.S. carnations in 1970.

Other blooms also do well in the two States. Twenty-six percent of all 1970 U.S. rose production was in California, while 60 percent of the country's gladioli were grown in Florida.

One reason for the popularity of mums, besides their hardiness, is that many people still associate their nearest competitor, the carnation, with funerals. But both these flowers have a long life, and for that reason are likely to stay at the top of producer preference polls.

While the rose remains a favorite flower with consumers, it is comparatively short-lived; the size and bulk of the gladiolus make it ideal for arrangements, but less so for mass marketing purposes. It is a common funeral flower, however, and is therefore likely to continue being carried by the retail florist: occasions of death and illness account for over two-thirds of florist sales. (11)

Sugar Shift: Homemaker No Longer Biggest Buyer

Back in 1935, it was the housewife who was the major buyer of sugar in the U.S.

Statistics show that consumer-sized packages then accounted for more than 60 percent of sugar use.

Today, they account for less than 25 percent of consumption.

The prepared food and beverage industries, meanwhile, have moved up to become the major users of sugar, accounting for nearly two-thirds of sugar sold. These indus-

tries buy most of their sugar in labor-saving bulk form—dry and liquid—whereas in 1950, most deliveries were in packages.

The major source of growth among sugar markets is expected to continue to be in the beverage industry, mainly in soft drinks. Beverages accounted for 22 percent of sugar use in 1971 and are projected to account for 25 percent in 1980.

Although non-caloric sweeteners—

mainly saccharin—have been competing strongly for the sweetener market, the major caloric sweeteners—refined sugar, corn sirup, and dextrose (corn sugar)—have all shown gains in per capita consumption in recent years. Consumption of corn sirup has increased the most—from 9 pounds per person in 1950 to 17 pounds in 1971. But sugar continues to be the major caloric sweetener at 102 pounds per person.

One of corn sirup's attributes is that it won't crystallize easily and thus works well in products like ice cream. In one of its less sweet forms it is used in nondairy coffee creams. In addition, it has a price advantage over sugar.

Corn sweeteners—corn sirup and dextrose—are expected to gain a larger role, at the expense of sugar, in cereal and bakery products, processed foods, and dairy products. (13)

Apple Juice Consumption Makes Spirited Gain

Apple juice is finding its way into more glasses these days.

In just 10 years, per capita consumption has more than tripled, last year reaching nearly 3.2 pounds per person (about 3 pints).

Why more apple juice? One reason indicated by trade sources is its increased use in winemaking. More than half of imported apple juice was spirited into wine last year. Imports doubled between 1970 and 1971 to 34 million gallons. Most of this apple juice came from Switzerland, France, and Argentina.

In total, better than a fifth of the 1971 apple crop was used for such

processed products as apple juice, cider, and vinegar.

Altogether, 43 percent of last year's apple crop went into processed products—about the same percentage as the year before. Apples for canned products such as applesauce accounted for 18 percent of the total crop, and frozen products, for 3 percent—both the same as the previous two seasons. However, apples for dried products were halved from 1970 and accounted for less than 2 percent of the crop.

Fresh apple marketings represented 57 percent of the 1971 crop, the same as in 1970. This year, fresh use is expected to equal or exceed last year's due to larger supplies centered in the West, which concentrates on fresh market sales. (14)

The Big Cigar Gainer: 'Little' Cigars

A few years ago, small cigarette-size cigars began to really catch on with smokers.

Usage exceeded 1 billion in 1971. It may double in '72, particularly with a major manufacturer going into national distribution.

"Little" cigars—classified as weighing no more than 3 pounds per 1,000—have distinct marketing advantages over cigarettes.

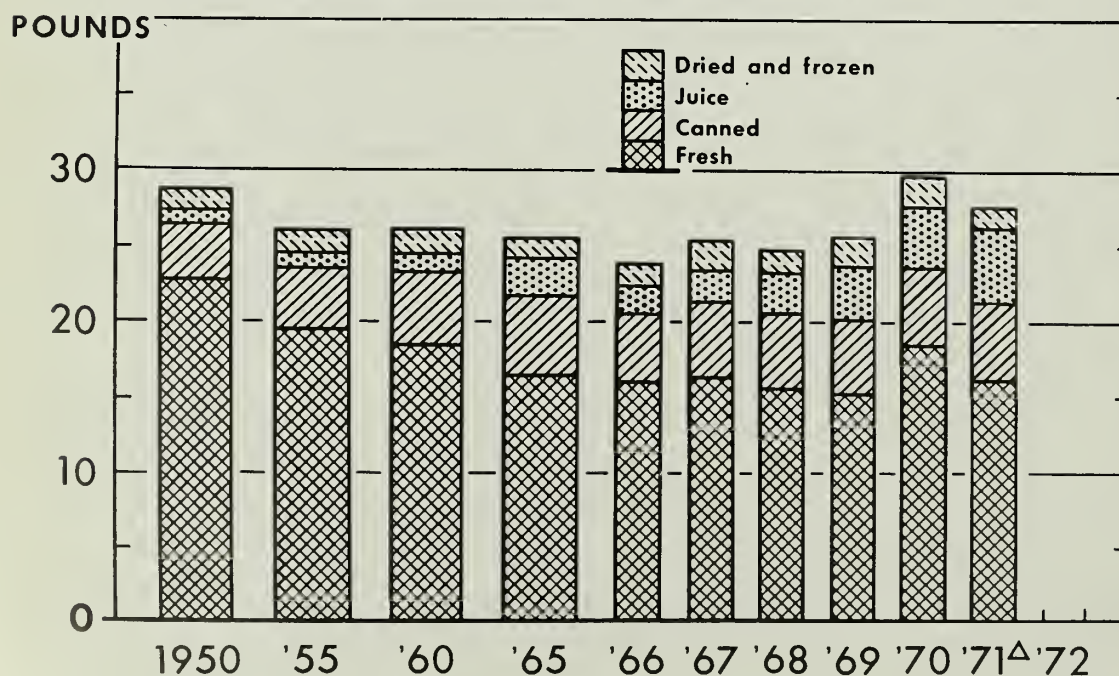
As cigars, they can be advertised over radio and television. And taxes are lower—Federal excise tax is 1½¢ a pack, compared with cigarettes' 8¢. In addition, many States don't tax cigars, whereas State taxes on cigarettes average 12¢ a pack. Thus, little cigars can undersell cigarettes in many States.

Like larger cigars, little cigars are wrapped in tobacco rather than paper, and they contain air-cured, cigar tobacco versus cigarettes' flue-cured tobacco.

Unlike larger cigars, little cigars have made sizable gains in sales over the past 4 years.

So far this year use of large cigars has dropped 5 percent from last year's 7.8 billion, and next year's use may be no higher. Large cigars, too, had a price increase this year, the first time in over a decade. In addition, U.S. production went down even more than usual this year, with plant shutdowns caused by tropical storm Agnes in important production areas of Pennsylvania. (17)

PER CAPITA APPLE CONSUMPTION *



* FRESH WEIGHT EQUIVALENT. Δ PRELIMINARY.



Wild Turkey Population On The Rise

• There's many a domesticated turkey who will envy his wild cousin come Thanksgiving day. Chances are a large number of the wild birds will still be around next year, but not so for the domesticated ones.

While most domesticated turkeys raised in 1970 ended up on somebody's table, about 85 percent of the wild ones managed to escape this fate.

And the wild turkey population of the U.S. is increasing, thanks to State conservation practices and restrictive game laws.

A 1970 big game inventory conducted by the National Fish and Wildlife Service showed there were over 1 million wild turkeys in the U.S., compared with about 650,000 in 1960.

Wild turkeys can be found in about 30 States. Estimates from the four States with the largest populations in 1970 were Texas, 400,000 birds; Alabama, 228,000; Pennsylvania, 88,000; and Florida, 80,000.

Alabama's wild turkey population increased almost fourfold during the 1960's. Pennsylvania's doubled, Texas' was up a third, and Florida's wild turkey numbers expanded about a fourth.

As the wild turkey flock increased, so did the kill by hunters. During 1960-70 the hunters' bag almost doubled—from 70,000 birds in 1960 to 138,000 10 years later.

The most popular wild turkey with sportsmen is

the "Eastern Wild Turkey"—sometimes called the turkey of the Pilgrims. Once quite common in New England, it became extinct in that area around the turn of the 19th century. However, the "Eastern Turkey" still thrives from Pennsylvania to Florida and as far west as New Mexico.

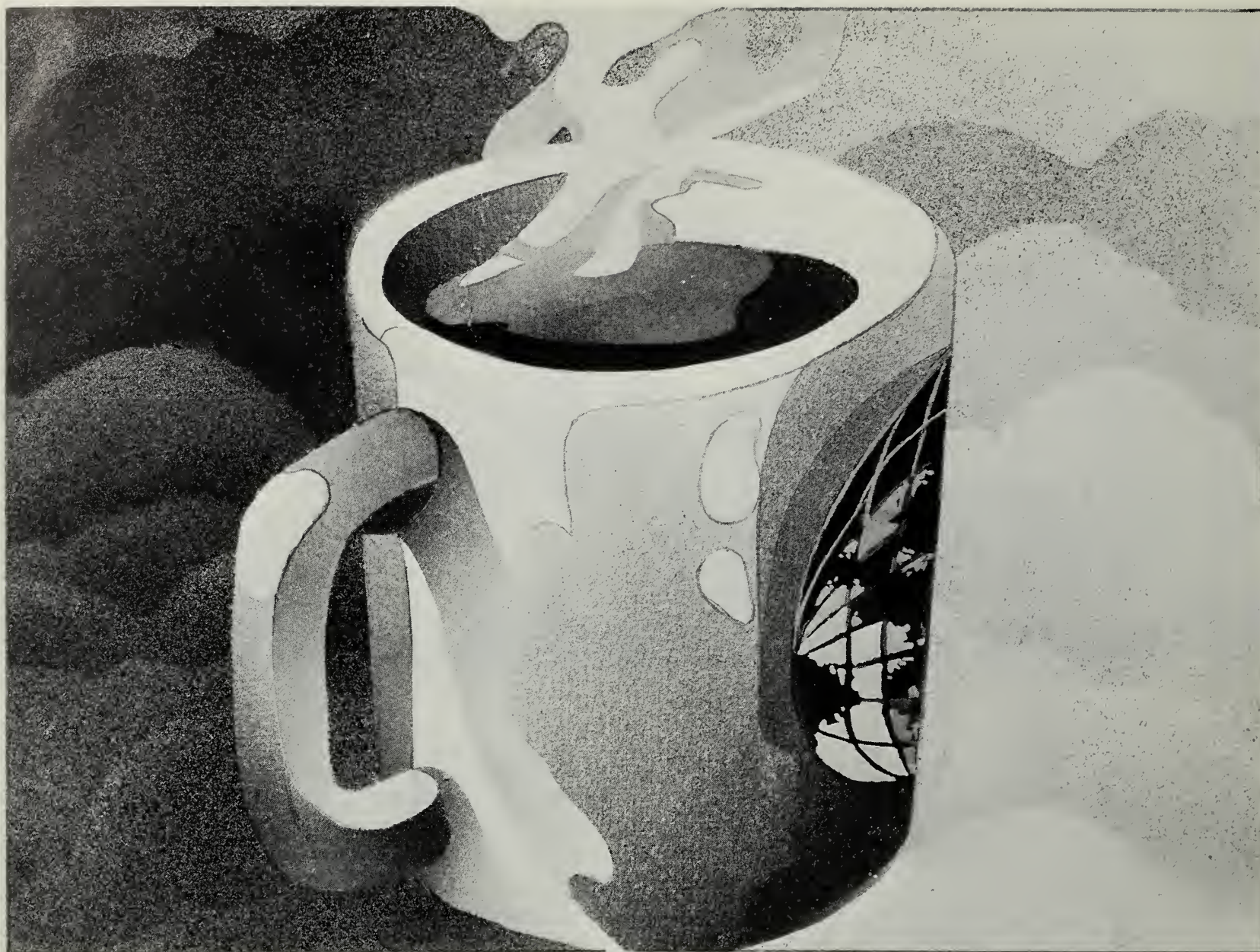
Wild turkeys are smaller than the domesticated bird—they average 12 to 14 pounds—and, as most hunters will attest, are the most wily of all game birds.

The domesticated turkey came to the U.S. via a circuitous route. Originally raised by the Aztecs of Mexico, the bird was taken by Spanish explorers from Mexico to Spain and later to England, where new strains were developed. It was then brought back to North America by settlers migrating to the American Colonies.

Commercial flocks were raised on a small scale in the 1920's. By about 1935 the U.S. farmer began concentrating on turkey as a primary source of meat.

By the 1960's, over 100 million birds were produced annually, and in 1971, the American farmer raised some 120 million. Last year's consumption of turkey meat was near the record high of 8.6 pounds in 1967.

The leading turkey States in 1971 were: Minnesota (18.4 million birds), California (16.8 million), North Carolina (10.2 million), Missouri (8.7 million), Texas (8.4 million), and Arkansas (7.8 million). (16)



COFFEE DRINKERS INTERNATIONAL

Although the U.S. continues to be the world's leading importer of coffee, many other countries are showing a more dynamic growth rate—including such traditional tea-drinking countries as Japan.

To most coffee-producing countries, coffee exports are an essential rung in their development ladder.

So when Americans cut down on coffee consumption, or when the Japanese step out as the most dynamic growth market for coffee, exporting countries take note. Most are lesser developed countries in Latin America and Africa and need the foreign exchange from exports to finance imports of capital goods.

ERS, in a current study, takes a close look at changing coffee drinking habits around the world and then makes a projection for world demand prospects for coffee through the 1970's.

Starting with the U.S., the world's largest coffee consumer, ERS notes that we've been accounting for a steadily decreasing share of world imported consumption—from 62 percent in 1952 to 37 percent in the late 1960's. Per capita consumption has gone down 30 percent in the past 20 years and now stands at about 13 pounds of green beans per person.

The reasons start back with the early 1950's when retail coffee prices were high and when instant coffee

was introduced. Resisting high prices, consumers not only cut back on their coffee buying, but they brewed a weaker cup of coffee which they came to accept. As for instant coffee, it produces far more cups from a pound of green coffee beans than does regular ground coffee—about 70 cups compared with 52 cups for regular.

In keeping up with the demand for instant coffee, the U.S. has also imported a larger proportion of its coffee from Africa. Larger African imports have been due to lower prices than the more expensive arabicas from Latin America and to the fact that Africa's stronger robusta coffee can be readily substituted in

the making of instant coffees.

Elsewhere in the world, rapid growth of coffee imports has given the European Community (EC) a major role in the world coffee economy. Latin American and African shares of the EC market remained fairly stable from 1962-70 at around 57 percent and 35 percent, respectively. West Germany is the world's second largest coffee importer and France, the third largest.

The United Kingdom is another fast growing import market, with green bean coffee imports increasing 50 percent from 1962 to 1969. Most of the U.K.'s coffee—roughly two-thirds—comes from Africa, indicating the wide British acceptance of robusta.

Although the English continue to be the world's greatest tea drinkers—averaging 5 to 6 cups a day compared with 1 of coffee, they've been cutting down on tea on a per capita basis while increasing coffee drinking.

In Canada, per capita consumption of coffee has doubled since World War II and is about half that of the U.S.

Scandinavia has the world's highest per capita consumption of coffee and imports most of it from Brazil and Colombia.

The world's most dynamic market for coffee, surprisingly, is one of the world's most traditional tea drinking countries—Japan. Imports more than doubled from 1964 to 1969—going from 25,000 tons to more than 61,000 tons of green beans. Especially among the younger generation, per capita consumption has substantially increased. Another reason for the increase in coffee imports is that Japan is bringing in more coffee beans in order to make instant coffee, while it previously imported most of its instant coffee from the U.S. and West Germany.

As to future demand for coffee around the world, ERS projects world consumption at slightly more than 3.9 million tons in 1980, nearly 40 percent above the 1964-66 average.

Assuming constant 1964-66 world export prices—which are about 15 percent below today's unusually high prices—foreign exchange earnings from coffee sales would increase 2.2 percent a year from the mid-sixties to 1980 when it would reach more than \$3.1 billion—an increase of \$800 million from 1964-66. One of the reasons for this moderately low projection is that several major im-

porters have reached a leveling off in per capita consumption of coffee.

The developed countries, which account for more than 90 percent of world coffee imports, are projected to increase their imports at a rate of 1.9 percent a year through the 1970's.

The study notes that in recent years world stocks have been reduced, and demand and production are essentially in balance.

World coffee supplies during the mid-1970's will depend heavily on present tree population, tree diseases such as rust, and the vagaries of weather, especially frosts in the coffee-growing areas of Brazil.

While South America accounts for about 45 percent of the world's harvest production, it's down from the 63-percent share it had early in the 1950's. Most of this decrease is attributable to increased coffee production in Africa—up 2½ times, to frost damage to production in Brazil, and to policies restricting production in Latin American countries.

African production, meanwhile, has gone up from 17 percent to 27 percent of world harvest. Unlike Brazil, Africa is not plagued by damaging frosts, and with few exceptions, African governments did not actively discourage coffee production during the 1960's when more trees were planted. (18)

U.S. Exports to EC Climb For 3rd Straight Year

U.S. agricultural exports to the European Community (EC) continued their uphill climb in fiscal 1972, reaching a record \$1.89 billion, including transshipments. This was 7 percent more than the previous year's record of \$1.77 billion.

There are indications that 1971/72 transshipments through Canada were down but those through the EC increased. After the transshipment adjustments, exports will probably equal last year's record. It marked the straight year of increase since the low of \$1.3 billion in 1968/69.

However, most of the gain in

Toppling Tea

The Boston Tea Party not only was an irrevocable step toward the American Revolution, but it helped to make coffee drinkers out of us.

Up to that fateful day in 1773, coffee and tea were equally important drinks in the American Colonies.

Afterwards, English teas and tea drinking in general became very unpopular in the Colonies. And, coffee rapidly advanced to be the national drink.

In the first half of this century, coffee drinking increased rapidly. Per capita consumption doubled.

But starting in 1950, when retail prices went up more than 40 percent, coffee drinking began to go down.

Measured in terms of consumption of coffee beans per capita, coffee drinking has declined nearly 30 percent since 1950, and 15 percent since 1960.

There's been rising competition from soft drinks, especially among the young. And we're getting more coffee out of a pound of beans due to a preference for weaker coffee and the popularity of instants. Instants, which use few beans per cup, now account for about a fifth of total coffee consumption.

ERS this year, however, notes that there are some signs that the long-term rate of decline in consumption may be leveling off.

Although 1971 showed a sharp decrease—from 13.8 pounds of green beans per capita in 1970 to 13.2 pounds last year—all of the decline in U.S. roastings occurred in the first half of the year. Since the third quarter of '71, coffee roastings have increased. In the year ending last June 30, total U.S. roastings were up nearly 3 percent. (19)

recent years has resulted from expansion of exports not subject to variable levies. These commodities, including oilseeds (primarily soybeans) and tobacco, have registered a 6-percent annual gain since 1956. This rate accelerated in recent years with the sharply increased use of nongrain feeds requiring additional protein supplements, and with the

development of modern feeding and production techniques.

By contrast, exports subject to variable levies declined from a peak of \$716 million in 1955/56 to \$460 million in 1971/72. If the variable levy total is adjusted for transshipments, U.S. exports of variable levy items to the EC may drop further.

Shipments of poultry products,

wheat, and feed grains were the hardest hit. In addition to the decline in U.S. feed grain exports and failure to share in the growth of the EC grain market, U.S. exports have faced the competition of highly subsidized EC grain shipments to third countries not only for wheat, of which the EC is usually a net exporter, but also for feed grains. (20)

China's Farm Trade Varied But Not Extensive

Brightened prospects for renewed U.S. trade with China have set off speculation about the possible impact on our farm trade.

For an indication of the kinds and volume of products that might be affected, potential farm exporters will probably take a close look at China's trade with other nations, as well as the scope of U.S.-China trade before its halt in 1950.

Interested exporters will find that despite its size and population, the People's Republic of China is *not* a major trading nation.

In 1969, China ranked only 19th among the world's agricultural importers. Its farm imports were valued at \$524 million—less than a 10th

of the amount imported by either West Germany or the U.K., the world's leading farm markets.

Since 1960, wheat has been China's main import. Australia and Canada are the major suppliers.

China's second largest import, rubber, is provided chiefly by Singapore and Malaysia. Cotton and sugar are also important, but rank well below wheat and rubber.

Nearly all China's imports in 1969 were supplied by only 12 countries. As a group, however, the 12 nations shipped twice as much to the U.S. as they did to China, an indication of the limited size of the Chinese market.

China's exports—valued at more than \$800 million in recent years—are more varied than its imports. Rice ranks No. 1, and annual ship-

ments often exceed 1 million tons. Other important products include live cattle and hogs, silk, soybeans, tea, tobacco, and pulses. Hog bristles are also a traditional Chinese export.

The bulk of China's export trade is confined to 12 major markets, led by Japan and Hong Kong. In 1969, the 12 nations together imported four times as much from the U.S. as from China.

Though U.S.-China trade began before American independence, it was never substantial, and remained limited to relatively few products. Over the past 150 years, U.S. shipments to China seldom topped 2 percent of our exports to all countries.

Cotton and tobacco were our leading exports to China before World War II. Wheat and flour were significant in some years. Lesser products included oranges, raisins, and various fruits and vegetables.

Both before and after World War II, China provided 2 to 4 percent of total U.S. imports. Principal items included tung oil, hog bristles, raw silk, and goat and kid skins. Egg products, tea, shelled walnuts, and cassia (Chinese cinnamon) were shipped in smaller shares.

The future volume of U.S.-China trade will depend heavily on official negotiations. But if the U.S. could supply 15 percent of China's farm imports—as it did in the 1930's—annual sales would reach \$75 million.

Sales would be considerably higher if China regained its prewar position as our 8th to 11th largest farm customer. For example, sales to our 11th ranking market during 1967-71 averaged \$154 million; to the 8th best customer, \$208 million. (21)

CHINA'S FARM EXPORTS—WHERE THEY WENT*

Importing country	Imports from China	Imports from U.S.	Imports from world	Share from China	Share from U.S.
	Million dollars			Percent	Percent
Hong Kong	228	65	611	37	11
Japan	137	1,068	3,661	4	29
Germany, West	62	547	5,715	1	10
Singapore	53	18	571	9	3
United Kingdom	48	421	5,622	1	8
Italy	47	255	3,109	2	8
France	40	215	3,125	1	7
Ceylon	38	14	152	25	9
Malaysia	30	15	243	12	6
Czechoslovakia	19	4	846	2	—
Poland	15	37	648	2	6
Netherlands	15	341	1,887	1	18
Total above	732	3,000	26,190	3	12

* In 1969. That year, countries listed took more than 90 percent of China's agricultural exports.

Recent Publications

FOOD CONSUMPTION, PRICES AND EXPENDITURES — SUPPLEMENT FOR 1971. Economic and Statistical Analysis Division. Supplement to AER No. 138.

This supplement revises and updates through 1971 the statistical information contained in *Food Consumption, Prices, and Expenditures*, issued July 1969. Most data begin with 1960 and include earlier revisions in footnotes. Most consumption, supply, and utilization data in this report are benchmarked to information from the 1964 Census of Agriculture and 1967 Census of Manufactures and Business.

MARKET STRUCTURE OF THE FOOD INDUSTRIES. Marketing Economics Division. MRR No. 971.

This report describes and assesses significant structural changes in the food marketing industries during the past two decades. Chapters are included on processing; retailing; wholesaling; away-from-home eating; particular commodities, such as livestock and meat, fruits and vegetables; and transportation.

ORGANIZATION, COSTS, AND RETURNS, NORTHWEST CATTLE RANCHES, 1960-71. Wylie D. Goodsell, Farm Production Economics Division. AER 232.

This report is part of a continuing nationwide study of costs and returns on commercial farms and ranches in selected farming regions.

THE MARKET FOR FOOD CONSUMED AWAY FROM HOME: DOLLAR VALUE STATISTICS. Michael G. Van Dress, Marketing Economics Division. Stat. Bull. No. 491.

Presented in the study is a tabulation of data showing the value of food and nonalcoholic beverages received by away-from-home eating places in 1969. This report supplements volume data published in *The Foodservice Industry: Type, Quantity, and Value of Foods Used*, Stat. Bull. No. 476, November 1971. Estimates are based on reported values of individual foods received during

The publications listed here are issued by the Economic Research Service and cooperatively by the State universities and colleges. Unless otherwise noted, reports listed here and under Sources are published by ERS. Single copies are available free from the Farm Index, OMS U.S. Department of Agriculture, Washington, D.C. 20250 State publications (descriptions below include name of experiment station or university of the title) may be obtained only by writing to the issuing agencies of the respective States.

a 7-day period in 1969 by 3,000 food-service operators in the 48 contiguous States.

Commodity Specials

Five marketing teams, formed earlier this year by Secretary Butz, have released findings of their in-depth studies of the egg, pork, apple, potato, and canning peach industries.

In their reports, the study groups examine production and marketing problems, discuss possible solutions, and recommend action to help smooth the flow of products to consumers and result in better returns to producers.

Special emphasis is given to ways the commodity industries can eliminate chronic surpluses . . . improve product quality . . . boost per capita consumption . . . and stabilize volumes and prices.

Team leaders are George B. Rogers, MED (eggs); Jack H. Armstrong, Farmer Cooperative Service (pork); Robert W. Bohall, MED (apples); Edward D. Hews, Agricultural Stabilization and Conservation Service (potatoes); and Norman C. Healy, Agricultural Marketing Service (canning peaches).

For copies of individual summaries of marketing team reports (please specify commodity) write the Office of Information, U.S. Department of Agriculture, Washington, D.C. 20250.

1972 HANDBOOK OF AGRICULTURAL CHARTS. Office of Information, USDA. AH-439.

Just released, this reference book features 170 charts—most with supporting tables—and depicts what's happening in the general economy, the farm commodity scene, foreign agricultural trade, marketing, farm population, and family levels of living.

The chartbook is the combined product of four USDA agencies—Economic Research Service, Foreign Agricultural Service, Agricultural Research Service, and Statistical Reporting Service.

Color slides and black and white prints of the charts for classroom and conference presentations are available for sale.

Single copies of the Handbook are available on postcard request from the Office of Information, USDA, Washington, D.C. 20250.

ECONOMIC IMPACT OF DISCONTINUING FARM USE OF CHLORDANE. Robert P. Jenkins, Herman W. Delvo, and Austin S. Fox, Farm Production Economics Division. AER No. 231.

The analysis considers only the aggregate effects of using alternative insecticides. Local effects of individual farm situations are not considered. Also, since completion of the analysis, interstate shipments of aldrin—a chemical relative of chlordane—have been cancelled by the Environmental Protection Agency for a number of agricultural uses. This development, however, does not change the results of this analysis because aldrin was not considered as an alternative to chlordane.

CHARACTERISTICS OF U.S. RURAL AREAS WITH NONCOMMUTING POPULATION. Economic Development Division for the Committee on Agriculture and Forestry, 92d Congress, 2d Session.

This publication is about conditions in the Nation's most rural counties. It is based upon scientific analysis and synthesis of heretofore

unpublished data from a variety of sources. More than half of the Nation's counties are far removed from the jobs and other economic and cultural benefits usually available in our larger cities. This report describes these counties and the problems and circumstances of their people and local institutions.

HOUSING CONDITIONS IN AREAS SERVED BY FARMERS HOME ADMINISTRATION HOUSING PROGRAMS, 1970, BY STATES. Ronald Bird and Julia Perciful, Economic Development Division. Stat. Bull. No. 492.

It is the intent of this study to bring together various selected housing statistics from the 1970 Census of Housing for areas served by the Farmers Home Administration and

for the remainder of the United States. This breakdown permits an easy comparison of housing conditions between the two areas and may help in identifying some of the unique housing problems associated with rural areas.

AN ECONOMIC EVALUATION OF ALTERNATIVE MARKETING METHODS FOR FED CATTLE. Ralph D. Johnson, University of Nebraska Agricultural Experiment Station co-operating with Farm Production Economics Division. SB 520.*

Conclusions drawn from this study indicate that the teletype method of selling fed cattle is far superior to any of the current selling methods used (1971) in the United States. Its adoption would materially improve the physical efficiency, pricing

efficiency, and competitiveness of fed cattle marketing. The teletype method would also improve the bargaining position of the producer and result in improvement of in-plant slaughtering efficiency.

THE BILL FOR MARKETING FARM-FOOD PRODUCTS. Terry L. Crawford, Marketing Economics Division. Reprint from MTS-186, August 1972.

This article presents the consumer expenditures, farm value, and marketing bill for U.S. farm foods. Data are analyzed by commodity groups, factors affecting the rise in the bill, and cost components. In addition, this article presents for the first time, data on the breakdown of the marketing bill into the portion attributed to food consumed at home versus food eaten away-from-home.

Article Sources

Readers are invited to write for the complete reports, studies, speeches, or papers on which we base our articles. Authors and titles are listed below, preceded by numbers corresponding to those appearing at the end of stories in this issue. Those publications indicated by (*) are obtainable only from the university or experiment station cited. The word "manuscript" after an item denotes a forthcoming publication, which we will send you when it comes off press. "Special material" after an item means the article was researched specially for this magazine, although additional information is generally available. Address all inquiries to The Farm Index, Office of Management Services, U.S. Department of Agriculture, Room 1459, Washington, D.C. 20250.

1. Emanuel Melichar, Board of Governors of the Federal Reserve System. "Aggregate Farm Capital and Credit Flows Since 1950, and Projections to 1980," *Agricultural Finance Review*, Vol. 33, July 1972.
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14. Larry Summers, ESAD. *Fruit Situation*, TFS-184, September 1972.
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NOTE: Unless otherwise indicated, authors are on the staff of the Economic Research Service (ERS) with their divisions designated as follows: Economic and Statistical Analysis Division (ESAD); Economic Development Division (EDD); Farm Production Economics Division (FPED); Foreign Demand and Competition Division (FD CD); Foreign Development Division (FDD); Marketing Economics Division (MED); and Natural Resource Economics Division (NRED).

Economic Trends

Item	Unit or Base Period	1967	Year	1971 Aug.	June	1972 July	Aug.
Prices:							
Prices received by farmers	1967=100	—	112	113	125	127	128
Crops	1967=100	—	107	107	116	116	119
Livestock and products	1967=100	—	116	117	131	136	135
Prices paid, interest, taxes and wage rates	1967=100	—	120	120	126	127	127
Family living items	1967=100	—	119	120	124	125	125
Production items	1967=100	—	115	116	121	122	122
Ratio ¹	1967=100	—	94	94	99	100	101
Wholesale prices, all commodities	1967=100	—	113.9	114.9	118.8	119.7	119.9
Industrial commodities	1967=100	—	114.0	115.1	117.9	118.1	118.5
Farm products	1967=100	—	112.9	113.2	124.0	128.0	128.2
Processed foods and feeds	1967=100	—	114.3	115.4	119.6	121.5	121.0
Consumer price index, all items	1967=100	—	121.3	122.1	125.0	125.5	125.7
Food	1967=100	—	118.4	120.0	123.0	124.2	124.6
Farm Food Market Basket: ²							
Retail cost	Dollars	1,081	1,244	1,265	1,299	1,322	1,322
Farm value	Dollars	419	477	486	528	544	530
Farm-retail spread	Dollars	662	767	779	771	778	792
Farmers' share of retail cost	Percent	39	38	38	41	41	40
Farm Income: ³							
Volume of farm marketings	1967	100	111	110	95	104	109
Cash receipts from farm marketings	Million dollars	42,693	53,063	4,327	3,968	4,369	4,800
Crops	Million dollars	18,434	22,609	1,751	1,155	1,747	1,900
Livestock and products	Million dollars	24,259	30,454	2,576	2,840	2,622	2,900
Realized gross income ⁴	Billion dollars	49.0	60.1	—	64.8	—	—
Farm production expenses ⁴	Billion dollars	34.8	44.0	—	46.5	—	—
Realized net income ⁴	Billion dollars	14.2	16.1	—	18.3	—	—
Agricultural Trade:							
Agricultural exports	Million dollars	—	7,695	547	743	682	684
Agricultural imports	Million dollars	—	5,825	555	521	472	564
Land Values:							
Average value per acre	Dollars	⁶ 168	⁷ 201	—	—	—	⁸ 217
Total value of farm real estate	Billion dollars	⁶ 181.8	⁷ 213.0	—	—	—	⁸ 228.6
Gross National Product: ⁴							
Consumption	Billion dollars	793.9	1,050.4	—	1,139.4	—	—
Investment	Billion dollars	492.1	664.9	—	713.4	—	—
Government expenditures	Billion dollars	116.6	152.0	—	177.0	—	—
Net exports	Billion dollars	180.1	232.8	—	254.1	—	—
	Billion dollars	5.2	.7	—	-5.2	—	—
Income and Spending: ⁵							
Personal income, annual rate	Billion dollars	629.3	861.4	869.1	922.9	932.9	939.8
Total retail sales, monthly rate	Million dollars	26,151	34,071	34,655	36,802	37,477	38,024
Retail sales of food group, monthly rate	Million dollars	5,759	7,437	7,478	7,824	8,008	—
Employment and Wages: ⁵							
Total civilian employment	Millions	74.4	79.1	79.2	⁹ 81.7	⁹ 81.7	⁹ 82.0
Agricultural	Millions	3.8	3.4	3.4	⁹ 3.3	⁹ 3.4	⁹ 3.6
Rate of unemployment	Percent	3.8	5.9	6.1	5.5	5.5	5.6
Workweek in manufacturing	Hours	40.6	39.9	39.8	40.6	40.6	40.7
Hourly earnings in manufacturing, unadjusted	Dollars	2.83	3.57	3.56	3.79	3.79	3.79
Industrial Production: ⁵							
1967 = 100		—	107	106	113	114	114
Manufacturers' Shipments and Inventories: ⁵							
Total shipments, monthly rate	Million dollars	46,449	55,580	56,650	61,231	61,869	—
Total inventories, book value end of month	Million dollars	84,599	101,665	101,280	103,505	103,888	—
Total new orders, monthly rate	Million dollars	46,763	55,473	57,122	63,734	62,504	—

¹ Ratio of index of prices received by farmers to index of prices paid, interest, taxes, and farm wage rates. ² Average annual quantities of farm food products purchased by urban wage-earner and clerical worker households (including those of single workers living alone) in 1959-61—estimated monthly. ³ Annual and quarterly data are on 50-State basis. ⁴ Annual rates seasonally adjusted second quarter. ⁵ Seasonally adjusted. ⁶ As of March 1, 1967. ⁷ As of March 1, 1971. ⁸ As of March 1, 1972. ⁹ Beginning January 1972 data not strictly comparable with prior

data because of adjustment to 1970 Census data.

Sources: U.S. Dept. of Agriculture (Farm Income Situation, Marketing and Transportation Situation, Agricultural Prices, Foreign Agricultural Trade and Farm Real Estate Market Developments); U.S. Dept. of Commerce (Current Industrial Reports, Business News Reports, Monthly Retail Trade Report and Survey of Current Business); and U.S. Dept. of Labor (The Labor Force and Wholesale Price Index).

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